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5 June 1958

MEMORANDUM FOR: Members of EIC Subcommittee on International
Trade and Finance

SUBJECT: Draft Annual Report, FY'58

1. Attached is a draft of the annual report for FY'58
of the EIC Subcommittee on International Trade and Finance.
Comments are due by c.o.b. June 12, 1958 to [REDACTED]
code 143, extension 3098.

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2. The next meeting of the Subcommittee is planned for
late June. The agenda for the meeting will be distributed in
the near future.

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[REDACTED]
Executive Secretary

Attachment

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5 June 1958

MEMORANDUM FOR: Executive Secretary, EIC

SUBJECT: Annual Report, FY'58, of the EIC Subcommittee
on International Trade and Finance

REFERENCE: EIC-D-289, 6 May 1958

A. Activities of the Subcommittee During the Fiscal Year

1. Review of the Intelligence Product

In an effort to arrive at an evaluation of the intelligence product, Subcommittee members submitted at a Fall, 1957 meeting a list of projects which their respective agencies have published over the past year or have currently in production. In addition, the Department of State reported on current research of non-governmental individuals and institutions in the field. The mere collection of subject titles, however, proved of little value in evaluating the state of intelligence and a useful evaluation is yet to be made. An ad hoc working group was appointed to undertake this task but, to date, has turned its attention to the more pressing problems of research and collection deficiencies and to systematizing Subcommittee coordination and review of individual research projects.

2. Research and Collection Deficiencies

With the aid of an ad hoc working group, the Chairman has prepared draft lists of priority research and collection deficiencies. These lists which will be submitted for Subcommittee discussion at a meeting in June include as research deficiencies the following: the evolution of bilateral trade and payments arrangements in East-West trade; multilateralism in Bloc payments; the role of comparative advantage in East-West trade; Bloc trade coordination; commercial trading procedures of Bloc trading agencies; Bloc dependability as a market; Bloc terms of trade; Bloc disruptive practices in Free World markets; potential Bloc markets for consumer goods and for machinery to be used in consumer goods industries; non-commercial transactions in intra-Bloc balance of payments;

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Bloc balance of payments with Free World countries, and Communist China's exchange rates. The list of collection deficiencies includes a comparison between external and internal prices of goods, monthly Bloc clearing balances, Bloc procedures on foreign trade and finance, details on Bloc trade agreements, and details of discussions during trade negotiations.

3. Review of Substantive Papers

The Subcommittee has reviewed no substantive papers during the fiscal year. However, concrete plans have been made to coordinate and review a series of papers produced in ORR and IRA on Communist China's foreign trade and tentative plans are being made to review a number of papers on other Bloc areas.

4. Review of Proposals for External Research

The Subcommittee plans to review, at a June meeting, proposals by ORR for external research in FY'59.

5. Maintenance of Agreed Basic Statistics

It was agreed by the Subcommittee in previous years that statistics on normal East-West trade need not be maintained. Since all agencies receive such data from a single source (Department of Commerce), the basic data do not vary between agencies. Intra-Bloc trade data, however, are in some part research estimates and the Subcommittee plans to discuss their agreed maintenance at a subsequent meeting.

6. Projects Undertaken at the Request of EIC

During the fiscal year, the EIC did not request the Subcommittee to undertake any projects nor were any proposed by the Subcommittee. However, for FY 1959, the EIC has directed the Subcommittee to prepare a summary of Communist China's foreign trade (see #8 below).

7. Intelligence Research Techniques

The Subcommittee did not discuss research techniques during the year. Individual members of the Subcommittee did, however, confer on research problems involved in calculating Communist China's foreign exchange rates.

8. Special Coordination Functions

Although the Subcommittee engaged in no special coordination during the fiscal year, it has been requested for FY 1959 to coordinate and review a number of studies on Communist China's foreign trade and to prepare a summary paper on the subject. This is in lieu of preparing another EIC-R1 paper for the year.


9. Evaluation of the Role of the Subcommittee

The Subcommittee has not realized its potential as a medium for inter-agency review and coordination. As has been stated in earlier annual reports, much of the coordination in the area of Subcommittee responsibility in the past has been handled by special committees and working groups. Intelligence problems involving such subjects as economic defense, China trade, and Bloc activities in underdeveloped Free World countries have all been assigned to other inter-agency groups, with the result that the Subcommittee has had little of priority importance referred to its attention. The recent decision by the EIC to request Subcommittee action on intelligence concerning Communist China's foreign trade will undoubtedly increase inter-agency interest in Subcommittee activities and, for the first time, give the Subcommittee an important role in inter-agency coordination. As a result, the Subcommittee should be more viable in all its responsibilities than in the past.

B. Future Program of the Subcommittee

In addition to Subcommittee activities on China trade (described above), plans have been made to carry out during the next fiscal year not only the routine Subcommittee responsibilities (maintenance of agreed basic statistics, preparation of research and collection deficiencies, and review of external research proposals) but also periodic scheduled reviews of the findings of the major research projects of the member agencies.

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Executive Secretary